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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 000947

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TAGS: [ENRG](#) [GR](#)

SUBJECT: ENERGY MINISTER CONCERNED ABOUT EC ACTION ON TGI  
THIRD-PARTY ACCESS EXEMPTION

Classified By: Economic Counselor Clark Price for Reasons 1.4 (b,d)

¶1. (C) Minister of Development Sioufas told the Ambassador May 11 that he requests urgent USG assistance regarding the EC's upcoming decision on exempting the Turkey-Greece-Italy (TGI) pipeline from EC third-party access (TPA) requirements.

Sioufas said that EU officials recently informed Italian and Greek government representatives that the EU planned to approve on May 23 a 15-year TPA exemption that did not specify the source of TGI gas. This diverged, according to Sioufas, greatly from the Greek/Italian submission, which requested a 25-year exemption specifying Caspian and Middle Eastern gas as the source of TGI's supplies. He expressed the concern that, if the TPA exemption does not specify the sources of gas that are permitted for TGI, it will be much more difficult to prevent Russian gas from entering: "That will defeat our goal of having TGI support European energy diversity."

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Concern about Rumored Turkey-Russia  
Deal Putting Gazprom Gas into Nabucco  
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¶2. (C) Sioufas also raised an article he had read in the May 11 edition of the "Express" newspaper stating that Turkish and Russian officials had agreed to put Russian gas into the Nabucco pipeline. This step, if true, would undermine TGI and put into question Turkey's dedication to the "Caspian First" policy. On a more positive note, Sioufas said he had recently held a good meeting with Turkish Energy Minister Guler in which they had moved forward with the idea of negotiating a three-way, intergovernmental agreement governing TGI. He suggested this be followed by a three-way commercial agreement between Italian Edison, BOTAS and DEPA (the Greek natural gas company).

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Next Stop: Azerbaijan  
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¶3. (C) The next Greek diplomatic goal, Sioufas said, would be to begin supply negotiations with the Government of Azerbaijan and SOCAR to nail down TGI gas supplies. He hoped to start this summer. Ministry Secretary General Nicos Stephanou said emphatically: "Our priority is to get Azeri gas into TGI." In that vein, Sioufas rued the inability of the GOAJ to finalize dates for the next Greek-Azerbaijani inter-governmental committee meeting, which the GOAJ has yet again postponed. Stephanou said the Greek Government is not

limiting its focus purely to Azerbaijan: he had been in Egypt the week of April 30 to obtain quantities of Egyptian gas for TGI. These would potentially flow through a pipeline going from Egypt, through Jordan and Syria, to Turkey.

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Ambassador Offers Help  
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14. (C) The Ambassador said the USG would do what it could to help on the TPA issue. He asked if the GoG knew of any useful precedents that could help Greece's TPA request. Stephanou noted that the only similar request he knew of was for Nabucco, the results of which were not known. As for the "Express" article, the Ambassador noted that there had been a number of Nabucco-related announcements over the past year which had turned out to be inaccurate, but promised to find out the facts as soon as possible. On a related note, he reiterated the USG's absolute opposition to OMV's dalliance with Iran as a source for Nabucco gas. The Ambassador closed by outlining Turkey's most recent thoughts on transit arrangements. Stephanou welcomed this information, which he said showed that Turkey's thinking on transit was moving forward.

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Looking Forward to Bodman Meeting  
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15. (SBU) Sioufas said he was looking forward to meeting Energy Secretary Bodman at the upcoming IEA meeting in Paris, and welcomed the U.S. initiative in setting up a trilateral there including the Turks.

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Comment  
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16. (C) Neither Sioufas nor Stefanou provided the reasons given by the EC for leaing aainstfullyaccepting the Greek/Italian TPA exemption request. It is important to note, however, that the officials emphasized that the TPA exemption duration was dictated by Italian Edison's wish to keep TGI transit fees low, which led to a longer pay-back period for TGI-related investments in Greece and Italy. Secondarily, they noted that the longer Azerbaijan was granted primary access to TGI, the higher the return on TGI-related investments in that country. They claimed this would represent additional incentives to potential investors interested in Azerbaijan's hydrocarbon sector.

COUNTRYMAN